ANNUAL FINANCIAL STATEMENTS
30 June 2012

INGWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

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Annual Financial Statements

for

Ingwe Municipality

for the year ended 30 June: ***2012***

Province:	KwaZulu Natal
AFS rounding:	***R (i.e. only cents)***

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General information

Members of the Council

N P Luzulane	**Mayor**
S V Zulu	**Deputy Mayor**
M W Mtolo	**Speaker**
P S Msomi	**Exco member**
H A Ngcobo	**Exco member**
B C Mncwabe	**Ordinary Councillor**
S W Mtolo	**Ordinary Councillor**
S E Dlamini	**Ordinary Councillor**
F M Mankhanya	**Ordinary Councillor**
M C Cekwane	**Ordinary Councillor**
C B Kunene	**Ordinary Councillor**
B Thabethe	**Ordinary Councillor**
V E Mncwabe	**Ordinary Councillor**
P P Shange	**Ordinary Councillor**
S S Ngubo	**Ordinary Councillor**
N G Mbatha	**Ordinary Councillor**
A N Dlamini	**Ordinary Councillor**
B C Nzimande	**Ordinary Councillor**
S J Bhengu	**Ordinary Councillor**
T A Zikode	**Ordinary Councillor**
S T Dlamini	**Ordinary Councillor**
S R Mlotshwa	**Ordinary Councillor**

Acting Municipal Manager	Ms SD Ncube
Chief Financial Officer	Ms SD Ncube
Grading of Local Authority	Grade 2 (In terms of the Remuneration of Public Office Bearers Act)
Auditors	Auditor-General
Bankers	First National Bank

General information (continued)

Registered Office:	Ingwe Municipality, Main Street , Creighton
Physical address:	Main Street Creighton 3263
Postal address:	P O Box 62 Creighton 3263
Telephone number:	(039) 833-1038
Fax number:	(039) 833-1179
E-mail address:	mailbox@ingwemunicipality.co.za

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 59, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. These annual financial statements have been compiled in accordance with the GRAP Standards.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. As a third tier of Government i.e. Local Government, the Municipality's operations and its principal activities entail service delivery at local community level. The attached financial statements reflect the results of these operations and the municipality's financial position are the stated reporting date. The Municipality is governed by and in terms of the Municipal Finance Management Act, Act 56 of 2003 and the Local Government Systems Act, Act 32 of 2000.

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Acting Municipal Manager:

DATE: 31 August 2012

Ingwe Municipality
Summary of significant accounting policies
For the year ended 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the historical cost convention except for investment property which is measured at fair value.

These financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

The Accounting Framework of the municipality, based on the preceding paragraphs and applicable to the operations of the municipality comprises,
the approved and effective standards of GRAP, together with certain statements of International Public Sector Accounting Standards ("IPSASs"), as well as International Financial Reporting Standards ("IFRS"), comprising International Accounting Standards ("IAS"), in cases where a relevant standard of GRAP has not been issued.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade and other receivables/Loans receivable
The entity assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.
The impairment for trade receivables and loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation
The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.
The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.
The carrying values of trade receivables and payables are assumed to approximate their fair values.

Impairment testing
The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Useful lives of property, plant and equipment and intangible assets
The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

Effective interest rate
The entity used the government bond rate to discount future cash flows in the event of it being material.

Allowance for impairment
On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.5 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related party disclosures
GRAP 21 Impairment of Non Cash - Generating assets
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash - Generating assets
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009
GRAP 105 Transfer of functions between entities under common control
GRAP 106 Transfer of functions between entities not under common control
GRAP 107 Mergers

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for the period starting on or after 1 July 2012. All other standards as llisted above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Change in Accounting Estimates and Errors.

There are no impending changes in accounting policy.

1.7 ROUNDING

The amounts disclosed in these annual financial statements were rounded off to the nearest Rand.

2 2.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is not determinable, it's deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent to initial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	7 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Equipment leased	3 to 5 years
IT equipment	3 to 5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.
The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
The gain or loss arising from the derecognition of an item property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference in recognised in surplus or deficit when the item is derecognised.
Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

3 INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.
Where an intangible asset is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.
An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their expected useful lives to their estimated residual value, if any.
The amortisation period, residual value, if any, and the amortisation method for intangible assets are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.
The useful lives of intangible assets have been assessed as follows:
Item Useful life

Computer software 3 to 5 years
Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 FINANCIAL INSTRUMENTS

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.
A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
 deliver cash or another financial asset to another entity; or
 exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.
Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

 the entity designates at fair value at initial recognition; or
 are held for trading.
Financial instruments at fair value comprise financial assets or financial liabilities that are:

 derivatives;
 combined instruments that are designated at fair value;
 instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans receivable	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
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Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.
The entity recognises financial assets using trade date accounting.
Initial measurement
The entity measures a financial asset and financial liability at amortised cost initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures all financial assets and financial liabilities after initial recognition using the following category:
 Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.
Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:
If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.
Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition
Financial assets

The entity derecognises financial assets using trade date accounting.
The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has

transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose

additional restrictions on the transfer. In this case, the entity :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.
On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished, that is when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

7 UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity.

Contingent assets and contingent liabilities are not recognised.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in

exchange.
Measurement
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.
Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
 the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;

 the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

 the amount of revenue can be measured reliably;
 it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;

and
 the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
 the amount of revenue can be measured reliably;
 it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
 the stage of completion of the transaction at the reporting date can be measured reliably; and
 the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.
When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.
Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends
Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
 it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
and
 the amount of the revenue can be measured reliably.
Interest is recognised, in surplus or deficit, using the effective interest rate method.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual reporting period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

15 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

15.1 DEFINED BENEFIT PLAN

The municipality had two employees who were members of the Multi-Employer Defined Benefit Plan, one person passed away in the current year. This plan is managed by the Natal Joint Municipal Pension Fund and the registration number of the fund is 12/8/6676/2. This plan is not treated as defined benefit plans as defined by IAS19, but is accounted for as defined contribution plan. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The municpality is exposed to actuarial risks as a result of its members participating in the Multi-Employer Defined Benefit Plan. This risk is also spread to other municipalities who are participating in the plan. Natal Joint Municipal Pension Fund does not have a reliable and a consistent basis of allocating the obligation,assets and related cost to the municipalities that are participating in the plan.

15.2 DEFINED CONTRIBUTION PLAN

The majority of the Municipality's employees belong to the Multi-Employer Contribution Plan which is managed by the Natal Joint Municipal Pension Fund; the registration number of the fund is 12/8/32588/1. Accordingly, contributions paid on behalf of employees have been expensed in the current year.

16 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

17 CORRECTION OF ERRORS

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 32 to the Annual Financial Statements for the details of corrections of errors recorded during the period under review.

18 EVENTS SUBSEQUENT TO REPORTING DATE

Events after the reporting date are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classifed as non-adjusting events have been disclosed in the notes to the Annual Financial Statements.

19 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Only transactions with related parties not at arms length or not in the ordinary cource of business are disclosed.

20 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

21 Budget information

A reconciliation between the statement of financial performance and the budget has been included in the annual financial statements, as the recommended disclosure as determined by National Treasury, as the annual financial statements and the budget are not on the same basis of accounting. Refer to note 35 - Reconciliation between budget and statement of financial performance.

22 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 July 2011 :

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 July 2012.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

An entity should present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.
A comparable basis means that the budget and annual financial statements:
 are prepared using the same basis of accounting i.e. either cash or accrual;
 include the same activities and entities;
 use the same classification system; and
 are prepared for the same period.
The effective date of the standard is for years beginning on or after 1 July 2012.
The entity expects to adopt the standard for the first time in the 2012 annual financial statements.
It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 103: Heritage Assets
GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.
GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.
The effective date of the standard is for years beginning on or after 01 July 2012.
The entity expects to adopt the standard for the first time in the 2012 annual financial statements.
The impact of this standard is currently being assessed.

GRAP 21: Impairment of Non-cash-generating Assets
Non-cash-generating assets are assets other than cash-generating assets.
When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.
The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
 Depreciated replacement cost approach
 Restoration cost approach
 Service units approach
The effective date of the standard is for years beginning on or after 01 July 2012.
The entity expects to adopt the standard for the first time in the 2012 annual financial statements.
It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 26: Impairment of Cash-generating Assets
Cash-generating assets are those assets held by an entity with the primary objective of generating a commercial return.
When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.
When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The effective date of the standard is for years beginning on or after 01 July 2012.
The entity expects to adopt the standard for the first time in the 2012 annual financial statements.
It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 25: Employee Benefits
The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits.
GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.
This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.
The entity expects to adopt the standard for the first time once it becomes effective.
It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments.
Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.
Financial assets and financial liabilities are initially recognised at fair value. Where an entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.
Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as nonexchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Nonexchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.
Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An entity measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.
GRAP 104 does not prescribe principles for hedge accounting. An entity is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.
The effective date of the standard is for years beginning on or after 01 July 2012.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.
The adoption of this standard is not expected to impact on the results of the entity, but may result in less disclosure than is currently provided in the annual financial statements.
IGRAPs
The following intepretations to GRAP have been issued:
 iGRAP 2-10 and 13-15.
The effective date of the interpretations is for years beginning on or after 01 July 2011.
The entity expects to adopt the interpretations for the first time in the 2011 annual financial statements.
It is unlikely that the interpretations will have a material impact on the entity's annual financial statements.

GRAP 105: Transfer of Functions Between Entities Under Common Control
Establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.
This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.
The entity expects to adopt the standard for the first time once it becomes effective.
The impact of this standard is currently being assessed.

GRAP 106: Transfer of Functions Between Entities Not Under Common Control
Establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.
This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.
The entity expects to adopt the standard for the first time once it becomes effective.
The impact of this standard is currently being assessed.

GRAP 107: Mergers
Establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.
This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.
The entity expects to adopt the standard for the first time once it becomes effective.
The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures
The objective of the standard is to ensure that an entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.
The entity expects to adopt the standard for the first time once it becomes effective.
It is unlikely that the standard will have a material impact on the entity's annual financial statements.

INGWE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Note	2012	2011
ASSETS		**R**	**R**
Current Assets		**81 575 018**	**55 242 601**
Cash and cash equivalents	1	76 937 710	52 275 627
Trade receivables from exchange transactions	2	3 460 342	2 049 895
Other receivables from non-exchange transactions	3	424 842	276 831
VAT receivable	4	752 125	640 248
Non-Current Assets		**80 285 208**	**63 627 262**
Property, plant and equipment	5	79 125 048	62 777 204
Investment property carried at fair value	6	949 000	575 000
Intangible assets	7	211 160	275 058
Total Assets		**161 860 226**	**118 869 863**
LIABILITIES			
Current Liabilities		**33 563 626**	**16 053 596**
Unspent conditional grants and receipts	8	29 309 529	12 447 750
Trade and other payables from exchange transactions	9	3 784 698	3 172 617
Current provisions	10	-	-
Current portion of contract retention	12	455 604	384 619
Current portion of finance lease liability	13	13 795	48 610
Non-current Liabilities		**5 206 509**	**4 402 149**
Non-current provisions	11	2 463 061	2 637 163
Other non-current liabilities	12	2 428 808	1 624 138
Finance lease liability	13	314 640	140 848
Total liabilities		**38 770 135**	**20 455 744**
NET ASSETS		**123 090 091**	**98 414 119**
NET ASSETS			
Accumulated surplus		123 090 091	98 414 119
Total net assets		**123 090 091**	**98 414 119**

INGWE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2012

	Note	2012 R	2011 R
REVENUE			
Property rates	15	3 522 499	2 537 412
Service charges	16	305 608	285 743
Penalties on rates		135 141	74 668
Traffic fines		34 735	95 283
Rent of facilities and equipment	17	208 418	202 606
Interest received	18	3 928 773	2 719 997
Gain on disposal of property, plant and equipment		897 764	
Government grants and subsidies	19	66 032 426	55 609 337
Other income	20	862 316	88 095
Total revenue		**75 927 680**	**61 613 141**
EXPENSES			
Employee related costs	21	15 633 168	12 530 570
Remuneration of councillors	22	5 543 222	4 535 469
Bad debts		246 365	147 122
Depreciation and amortisation	23	3 589 280	3 219 387
Repairs and maintenance		635 526	706 795
Finance costs	24	251 247	250 990
Amortisation cost	25	0	0
Contracted services	26	462 623	304 060
General expenses	27	23 001 083	17 719 810
Total expenses		**49 362 513**	**39 414 202**
Loss on disposal of property, plant and equipment	28	-	5 721
Impairment loss	29		2 681 892
Fair value adjustment			
Fair value adjustment of investment property	6		
SURPLUS FOR THE YEAR		**26 565 167**	**19 511 325**

INGWE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2012

		Accumulated Surplus	Total: Net Assets
		R	R
Balance at 30 June 2010		**80 547 336**	**80 547 336**
Correction of prior year errors		(1 644 550)	(1 644 550)
Restated Balance at 30 June 2010		**78 902 786**	**78 902 786**
Surplus for the year		19 511 325	19 511 325
Restated balance at 30 June 2011		**98 414 111**	**98 414 111**
Correction of prior year errors	32.1	(4 275 449)	38 286
Restated Balance at 30 June 2011		**94 138 662**	**98 452 397**
Provision for landfill sites	11	**333 310**	
Recognising equitable share		**2 052 952**	
		-	
		-	
Surplus for the year		26 565 166	26 565 166
Balance at 30 June 2012		**123 090 091**	**125 017 564**

INGWE MUNICIPALITY
CASH FLOW STATEMENT
For the year ended 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		89 880 817	62 925 239
Cash paid to Suppliers and Employees		(44 203 376)	(37 602 494)
Cash generated from operations	30	**45 677 442**	**25 322 745**
Interest earned	18	3 928 773	2 719 997
Finance costs	24	(250 025)	(249 389)
Interest paid	24	(1 221)	(1 601)
Net cash flows from operating activities		**49 354 968**	**27 791 752**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(26 511 153)	(18 013 655)
Proceeds on disposal of property, plant and equipment		897 764	-
Intangible assets acquired	7	(57 960)	(195 000)
Net cash flows from investing activities		**(25 671 349)**	**(18 208 655)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in other non-current liabilities		804 670	72 493
Repayment of finance lease liabilities		173 792	(48 610)
Net cash flows from financing activities		**978 462**	**23 883**
Net increase in cash and cash equivalents		**24 662 082**	**9 606 980**
Net cash and cash equivalents at the beginning of the year		**52 275 627**	**42 668 648**
Net cash and cash equivalents at the end of the year	31	**76 937 709**	**52 275 627**

	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	6 650 415	298 971
Call deposits - Stanlib Investment	7 818 854	7 367 208
- Money Market	212 392	1 456 582
- Investec Bank	20 006 214	1 349 571
- Investec Fixed Deposits	16 029 170	15 168 520
- Fixed Notice	621 829	600 714
- Investec Fixed 50003450424	15 217 781	0
- Investec 453	10 381 056	0
- Business Fixed Maturity 74	0	26 034 061
	76 937 710	52 275 627

The municipality has the following bank accounts:

The Primary Bank Account

First National Bank - Ixopo Branch
Account number 5255 1036 969

Cash book balance at beginning of the year	224 671	843 170
Cash book balance at end of the year	6 490 759	224 671
Bank statement balance at beginning of the year	216 280	844 799
Bank statement balance at end of the year	6 495 492	216 280

Salaries Bank Account

First National Bank - Ixopo Branch
Account number 6205 1076 688

Cash book balance at beginning of the year	37 159	18 817
Cash book balance at end of the year	120 412	37 159
Bank statement balance at beginning of the year	37 159	18 817
Bank statement balance at end of the year	120 412	37 159

Public Sector Cheque Account

First National Bank - Ixopo Branch
Account number 6224 5385 093
Date the account was opened: 12 November 2009

Cash book balance at beginning of the year	36 895	36 895
Cash book balance at end of the year	36 837	36 895
Bank statement balance at beginning of the year	36 895	36 895
Bank statement balance at end of the year	36 837	36 895

CALL DEPOSITS
Stanlib Cash Plus Fund A - no maturity date
Account number: 551130458

Cash book balance at beginning of the year	7 367 208	6 908 344
Cash book balance at end of the year	7 818 854	7 367 208
Bank statement balance at beginning of the year	7 367 208	6 908 344
Bank statement balance at end of the year	7 818 854	7 367 208

CASH AND CASH EQUIVALENTS (continued)	**2012**	**2011**
	R	**R**
Investec Fixed Deposit		
Account number: 50003450424 - 0		
Cash book balance at beginning of the year	1 349 571	1 270 240
Cash book balance at end of the year	20 006 214	1 349 571
Bank statement balance at beginning of the year	1 349 571	1 270 240
Bank statement balance at end of the year	20 006 214	1 349 571
Investec Fixed Deposit		
Account number: 50003450424 - 1		
Cash book balance at beginning of the year	15 168 520	-
Cash book balance at end of the year	16 029 170	15 168 520
Bank statement balance at beginning of the year	15 168 520	-
Bank statement balance at end of the year	16 029 170	15 168 520
Investec Fixed Deposit		
Account number: 50003450424 - 2		
Cash book balance at beginning of the year	-	-
Cash book balance at end of the year	15 217 781	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	15 217 781	-
Investec Fixed Deposit		
Account number: 50003450424 - 3		
Cash book balance at beginning of the year	-	-
Cash book balance at end of the year	10 381 056	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	10 381 056	-
First National Bank Fixed Notice		
Account number: 74165605518		
Cash book balance at beginning of the year	600 714	578 505
Cash book balance at end of the year	621 829	600 714
Bank statement balance at beginning of the year	600 714	578 505
Bank statement balance at end of the year	621 829	600 714
First National Bank Money Market		
Account number: 62008452071		
Cash book balance at beginning of the year	1 456 582	33 004 584
Cash book balance at end of the year	212 393	1 456 582
Bank statement balance at beginning of the year	1 456 582	33 004 584
Bank statement balance at end of the year	212 392	1 456 582

	2012 R	2011 R
First National Bank Business Fixed Maturity Notice		
Account number: 74282396404		
Cash book balance at beginning of the year	26 034 061	-
Cash book balance at end of the year	-	26 034 061
Bank statement balance at beginning of the year	26 034 061	-
Bank statement balance at end of the year	-	26 034 061

Call deposits are investments with a maturity date of less than 3 months and they earn interest.

Deposits of R29 786 262 (2011: R12 447 750) have been ring-fenced to cover conditional grants that have not yet been utilised.

INGWE MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

	Gross Balances R	Provision for impairment R	Net Balance R
2 Trade receivables from exchange transactions			
as at 30 June 2012			-
Rates	4 640 569		
Refuse	527 742		
Rent	118 670		
VAT portion on debtors	89 222		
Sundry	19 462		
Total Consumer Debtors	**5 395 664**	**1 935 322**	**3 460 342**
as at 30 June 2011			
Rates	3 212 361		
Refuse	391 369		
Rent	69 699		
VAT portion on debtors	65 423		
Total Consumer Debtors	**3 738 852**	**1 688 957**	**2 049 895**

The carrying value of trade debtors approximates their fair value due to their short-term maturity.

The municipality charges interest on outstanding debtors. Interest rate on rates is 10% per annum and for other services it is 2% per month on outstanding balances. Refer to note 18 on interest charged.

Ageing of consumer debtors	2012 R	2011 R
Current		-
1 - 30 Days	36 329	39 129
31 - 60 Days	81 980	36 623
61 - 90 Days	25 014	29 606
91 - 120 Days	23 385	26 028
120 Days and more	5 228 956	3 607 467
Less: Other	-	-
	5 395 664	**3 738 852**

Trade receivables from organs of state

Included in the amounts discloded above are the following amounts owing from the organs of state.

Government Deparments	**3 952 832**	**1 494 315**

Summary of Gross Debtors by Customer Classification	Consumers R	Industrial / Commercial R	National and Provincial Government R
as at 30 June 2012			
Current (0 – 30 days)	10 211	4 891	21 227
31 - 60 Days	9 659	15 577	56 744
61 - 90 Days	9 298	1 948	13 768
91 - 120 Days	863 564	527 683	3 861 093
Sub-total	**892 732**	**550 100**	**3 952 832**
Total Gross Debtors by customer classification			**5 395 664**

Summary of Gross Debtors by Customer Classification	Consumers R	Industrial / Commercial R	National and Provincial Government R
as at 30 June 2011			
Current (0 – 30 days)	25 626	6 870	40 080
31 - 60 Days	7 938	1 863	19 805
61 - 90 Days	6 223	1 497	17 030
91 - 120 Days	804 191	1 390 328	1 417 401
Sub-total	**843 978**	**1 400 558**	**1 494 315**
Total Gross Debtors by customer classification			**3 738 851**

Reconciliation of the doubtful debt provision

The municipality's trade receivables are stated after allowances for doubtful debts based on management's assessment of the creditworthiness. An analysis of the allowance is as follows:

At the beginning of the year	1 688 957	1 545 960
Charged to surplus	246 365	142 997
At the end of the year	**1 935 322**	**1 688 957**

In determining whether a debtor is impaired, management considers if there has been any change in the credit quality of the debtor during the period, investigates changes in the payment behaviour of the debtor by inspecting the payment history thereof and any other evidence that may indicate that the debtor is impaired.

		2012 R	2011 R
3	**Other receivables from non-exchange transactions**		
	Security deposits with suppliers	111 006	111 006
	Other	313 835	165 824
		424 842	**276 831**
4	**Value added tax**		
	VAT receivable	**752 125**	**640 248**

The municipality is registered as a vendor on the receipts and payments basis.

5 Property, plant and equipment

5.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Finance Leased Assets	Other	Total
	R	R	R	R	R	R	R
as at 1 July 2011	**1 630 000**	**3 484 227**	**11 559 813**	**36 473 122**	**139 571**	**10 340 543**	**63 627 276**
Cost: Completed	1 630 000	7 092 063	9 809 722	27 194 265	306 860	14 176 886	60 209 796
Cost: Under Construction			7 427 900	15 317 698	0	78 064	22 823 662
Adjustment		(224 279)	26 262	891 011		82 829	775 823
Accumulated depreciation and impairment losses		(3 383 557)	(5 704 072)	(6 929 852)	(167 289)	(3 997 235)	(20 182 006)
Acquisitions		779 144	3 580 520	12 232 736	359 000	1 265 940	18 217 341
Capital under construction movement		78 064	5 461 980	(4 326 659)	0	0	1 213 385
Capital under Construction - additions	0	78 064	12 889 880	10 991 039	0	0	23 958 984
Capital under Construction - transferred to acquisitions		0	(7 427 900)	(15 317 698)			(22 745 598)
Depreciation	0	(222 036)	(661 438)	(1 055 036)	(68 269)	(1 392 585)	(3 399 364)
Disposals		0	166 236		306 860	1 055 763	1 528 859
Depreciation		222 036	661 438	1 055 036	68 269	1 392 585	3 399 364
Depreciation Disposal			166 236		175 724	897 020	1 238 980
as at 30 June 2012	**1 630 000**	**4 119 399**	**19 940 875**	**43 324 997**	**299 167**	**9 810 611**	**79 125 048**
Cost	1 630 000	7 871 207	13 224 006	39 427 834	359 000	14 386 240	76 898 287
Assets under construction	0	78 064	12 889 880	10 991 039	0		23 958 984
Accumulated depreciationand impairment losses	0	(3 829 872)	(6 173 011)	(7 093 877)	(59 833)	(4 575 629)	(21 732 223)

5 Property, plant and equipment

5.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure Assets	Community Assets	Finance Leased Assets	Other	Total
	R	R	R	R	R	R	R
as at 30 June 2010	**1 630 000**	**3 410 184**	**7 817 271**	**27 385 535**	**200 943**	**10 192 237**	
Cost: Completed	1 630 000	6 646 714	9 809 724	20 483 326	306 860	12 936 018	51 812 642
Cost: Under Construction			2 732 960	10 515 741		26 486	13 275 187
Correction of error (note 32)	-	(37 745)	76 261	(494 595)	-	901 542	445 463
Accumulated depreciation and impairment losses	-	(3 198 785)	(4 801 674)	(3 118 937)	(105 917)	(3 671 810)	(14 897 123)
Acquisitions		445 352	-	6 710 937	-	1 317 730	8 474 019
Capital under Construction			4 694 940	4 801 957	-	51 578	9 548 475
Depreciation	-	(126 398)	(914 996)	(821 497)	(61 372)	(1 260 748)	(3 185 011)
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**	**(5 721)**	**(5 721)**
Cost/Revaluation	-	-		-	-	(68 133)	(68 133)
Accumulated depreciation and impairment losses	-	-		-	-	62 412	62 412
Impairment loss/Reversal of impairment loss	-	(20 631)	(48 867)	(2 494 823)		(117 571)	(2 681 892)
as at 30 June 2011	**1 630 000**	**3 708 507**	**11 548 345**	**35 582 109**	**139 571**	**10 168 671**	**62 777 204**
Cost	1 630 000	7 092 066	9 809 722	27 194 263	306 860	14 176 781	60 209 692
Assets under construction			7 427 900	15 317 698		78 064	22 823 662
Accumulated depreciation and impairment losses	-	(3 383 559)	(5 689 277)	(6 929 852)	(167 289)	(4 086 174)	(20 256 151)

5 Other information

5.3 There is no idle property, plant and equipment at year end.
Gross carrying amount of fully depreciated property, plant and equipment still in use at the reporting date. Useful lives was estimated correctly for these assets at acquisition

There is no property, plant and equipment retired from active use, otherwise not classified as held for

6 Investment properties carried at fair value

6.1 Reconciliation of fair value	Investment properties buildings R	Investment properties land R	Total R
as at 30 June 2011	**-**	**575 000**	**575 000**
	-	-	-
Restated balance as at 30 June 2010	**-**	**575 000**	**575 000**
Additions	-	-	**-**
Disposals	-	-	**-**
Transfers	-	-	**-**
Fair value adjustment	-	374 000	**374 000**
as at 30 June 2012	**-**	**949 000**	**949 000**

6.1 Reconciliation of fair value	Investment properties buildings R	Investment properties land R	Total R
as at 1 July 2011	**-**	**575 000**	**575 000**
Additions			-
Disposals			-
Transfers	-		-
Fair value adjustment	-	374 000	374 000
as at 30 June 2012	**-**	**949 000**	**949 000**

	2012 R	2011 R
6.2 Investment property pledged as security	**-**	**-**
No investment property is pledged as security		
6.3 Rental income from investment property	**-**	**-**
Direct operating expenses from rental generating property	**-**	**-**

6.4 Details of valuation

The effective date of valuation was 30 June 2012. Revaluations were performed by an independent valuer C Vrey (Professional valuer) of Du toit Vrey en Ennote. The valuation was based on open market value for existing use.

Amounts recognised in surplus for the year	**-**	**-**

7 Intangible Assets

7.1 Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2011	**-**	**-**
	187 200	**275 058**
Cost	438 733	438 733
Accumulated amortisation	(251 533)	(251 533)
Acquisition	57 960	57 960
Amortisation	(45 806)	(54 947)
as at 30 June 2012	**211 160**	**278 072**
Cost	496 693	496 693
Accumulated amortisation	(297 339)	(218 621)
Adjustment	(11 806)	

7.1 Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2010	**114 434**	**114 434**
Cost	243 733	243 733
Accumulated amortisation	(129 299)	(129 299)
Acquisition	195 000	195 000
Amortisation reclassified to computer equipment	-	-
Amortisation	(34 376)	(34 376)
Correction of error (note 33.5) accumulated depreciation	-	-
as at 30 June 2011	**275 058**	**275 058**
Cost	438 733	438 733
Accumulated amortisation	(163 675)	(163 675)

		2012 R	2011 R
8	**Unspent conditional grants and receipts**		
8.1	Unspent Conditional grants from other spheres of government:	**29 149 097**	**11 287 318**
	MIG Grant	9 339 638	2 872 445
	National Department of Energy Electrification	6 057 143	3 415 450
	National COGTA (MSIG)		-
	National: Finance Management Grant (FMG)	11 693	-
	Other National Government Grants	10 000 000	103 526
	Provincial Government Grants	3 740 622	4 895 897
8.2	Other Conditional Receipts	**160 432**	**1 160 432**
	Developers' Contributions	160 432	160 432
	Public Contributions	0	1 000 000
	Total Unspent Conditional Grants and Receipts	**29 309 529**	**12 447 750**

The Unspent Conditional Grants and Receipts are invested in ring-fenced investment accounts until utilised.

See Note 19 for the reconciliation of Grants from Government and for the reconciliation of Other Conditional Receipts. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9	**Trade and other payables from exchange transactions**		
	Trade payables	2 107 246	1 850 068
	Staff leave accrual	833 361	768 922
	Other payables	844 093	553 626
		3 784 698	**3 172 617**

The fair value of trade and other payables approximates their carrying amounts.

10	**Current provisions**		
	Provision for cellphone allowances for councillors		

	2012 R	2011 R

11 Non-current provisions

Provision for the rehabilitation of refuse disposal sites	2 092 096	2 425 406
Provision for long-service awards	370 964	211 757
	2 463 061	**2 637 163**

The provision for rehabilitation of refuse disposal sites relates to the legal obligation to rehabilitate the disposal sites.

The municipality operates two refuse disposal sites. Both sites have been in operation for nearly ten years and assuming the current level of usage of these disposal sites is maintained, it is anticipated that they will reach full capacity after 3 financial years, wherein they will be permanently closed and thus rehabilitated. The provision amount disclosed represents the present value of future estimated rehabilitation costs (material and labour inclusive of professional environmental expertise).

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

Key financial assumptions

Discount rate: 8.28% p.a.
General salary inflation (long-term): 6.78% p.a.
Net effective discount rate: 1.79% p.a.
Salaries used in the valuation inlcude an assumed increase in July 2012 of 6.5%, the next salary increase is assumed to take place in July 2013.

Key demographic assumptions

Average retirement age: 60 years
Mortality during employment: SA85-90
Withdrawal from service

Age	Rate	
	Female	**Male**
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55	0%	0%

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of the refuse disposal sites:		
Balance at the beginning of year	2 425 406	126 445
Contributions to provision		2 298 961
Reduction in provision	(333 310)	-
Transfer to current provisions	-	-
Balance at the end of year	**2 092 097**	**2 425 406**

Provision for long-service awards		
Balance at the beginning of year	211 757	149 316
Contributions to provision	70 399	47 305
Expenditure incurred		
Actuarial (gain)/loss	88 808	15 136
Transfer to current provisions		
Balance at the end of year	**370 964**	**211 757**

12 Other non-current liabilities

Contract retentions	2 884 412	2 008 757
Less: Current Portion	(455 604)	384 619
Long-term portion	**2 428 808**	**1 624 138**

13 FINANCE LEASE LIABILITY

2012 Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	313 200	(299 405)	13 795
Within two to five years	1 332 489	(1 017 849)	314 640
	1 645 689	(1 317 254)	**328 435**
Less: Amount due for settlement within 12 months (current portion)			**(13 795)**
Long term portion			**314 640**

2011 Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	289 401	(240 791)	48 610
Within two to five years	437 856	(297 005)	140 851
	727 257	(537 796)	**189 458**
Less: Amount due for settlement within 12 months (current portion)			**(48 610)**
Long term portion			**140 848**

The average lease term is 5 years. The capitalised liabilities are in respect of office equipment leased by the municipality. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate (internal rate of return) is 12% per annum. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased equipment's ownership will pass to the municipality at the end of the respective lease terms.

14 Categories of financial instruments

2012 Financial Year	Loans and receivables	Financial liabilities at amortised cost	Total
Current assets			
Trade receivables	3 460 342	-	3 460 342
Other receivables	424 842	-	424 842
Cash and cash equivalents	76 937 710	-	76 937 710
Non-current liabilities			
Finance lease liability	-	314 640	314 640
Other non-current liabilities	-	2 428 808	2 428 808
Current liabilities			
Trade and other payables	-	3 784 698	3 784 698
Short-term portion of finance lease	-	13 795	13 795
Unspent conditional grants and receipts	-	29 309 529	29 309 529

2011 Financial Year	Loans and receivables	Financial liabilities at amortised cost	Total
Current assets			
Trade receivables	-	-	-
Other receivables	276 831	-	276 831
Cash and cash equivalents	52 275 627	-	52 275 627
VAT receivable	640 248	-	640 248
Non-current liabilities			
Finance lease liability	-	140 848	140 848
Other non-current liabilities	-	1 624 138	1 624 138
			-
Current liabilities			
Trade and other payables	-	3 172 617	3 172 617
Short-term portion of finance lease	-	48 610	48 610
Unspent conditional grants and receipts	-	12 447 750	12 447 750
Provisions	-	-	-

		2012 R	2011 R
15	**Property rates**		
	Property rates raised		
	Residential, commercial and state	3 522 499	2 537 412
		3 522 499	**2 537 412**
	Property valuations		
	Residential, commercial and state	1 104 753 000	1 104 753 000
		1 104 753 000	**1 104 753 000**

Valuation of properties within the boundaries of the Municipal area are performed every five years. The current valuation in use came into effect on 1 July 2009, with the valuation having been performed on 02 July 2008. Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc. The most recent supplementary valuation was carried out on 30 June 2011 yielding a total property value of R1 104 753 000.

16	**Service charges**		
	Refuse removal	305 608	285 743
	Other charges	-	-
		305 608	**285 743**
17	**Rental of facilities and equipment**		
	Hire of halls	40 140	29 011
	Rentals	168 278	173 595
		208 418	**202 606**
18	**Interest received**		
	Interest on investment	3 924 227	2 716 853
	Interest on debtor account	4 547	3 144
		3 928 773	**2 719 997**
19	**Government grants and subsidies received**		
	Equitable share	44 867 986	35 213 000
	Conditional grants utilised	21 164 441	20 396 337
		66 032 426	**55 609 337**
19.1	**National: Equitable share**		
	Current year receipts	44 867 986	35 213 000
	Transferred to revenue	(42 356 627)	(35 213 000)
		2 511 359.00	-

In terms of the Constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

19.2	**National: MIG Grants**		
	Unspent at the beginning of the year	7 430 740	4 558 295
	Received in current year	12 010 705	11 186 000
	Conditions met - transferred to revenue	(10 101 813)	(12 871 850)
	Unspent at end of the year - Refer to note 8	**9 339 632**	**2 872 445**

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure . No funds were withheld.

		2012 R	2011 R
19	**Government grants and subsidies (continued)**		
19.3	**National: Finance Management Grant (FMG)**		
	Unspent at the beginning of the year	-	-
	Received in current year	1 450 000	1 200 000
	Conditions met - transferred to revenue	(1 438 307)	(1 200 000)
	Unspent at end of the year - Refer to note 8	11 693	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.		
19.4	**National Department of Energy: Electrification**		
	Unspent at the beginning of the year	3 415 450	2 180 690
	Received in current year	9 000 000	5 000 000
	Conditions met - transferred to revenue	(4 714 665)	(3 765 240)
	Unspent at end of the year - Refer to note 8	**6 057 143**	**3 415 450**
	This grant is paid by the Department of Energy for the electrification of eMasameni, Donnybrook and Xosheyakhe. No funds were withheld.	4 285 335	
19.5	**National Department of Cooperative Governance and Traditional Affairs MSIG**		
	Unspent at the beginning of the year	-	-
	Received in current year	790 000	750 000
	Conditions met - transferred to revenue	(764 981)	(750 000)
	Unspent at end of the year - Refer to note 8	**25 019**	**-**
19.6	**Other National Grants**		
	Unspent at the beginning of the year	103 526	103 526
	Received in current year	10 000 000	103 805
	Conditions met - transferred to revenue	(103 526)	(103 805)
	Unspent at end of the year - Refer to note 8	**10 000 000**	**103 526**
19.7	**Provincial Grants**		
	Unspent at the beginning of the year	4 895 901	4 132 713
	Received in current year	1 866 873	2 468 631
	Conditions met - transferred to revenue	(3 041 149)	(1 705 443)
	Unspent at end of the year - Refer to note 8	**3 721 625**	**4 895 901**
19.8	**Other Conditional Grants**		
	Unspent at the beginning of the year	1 160 432	160 432
	Received in current year	-	1 000 000
	Interest received	-	-
	Conditions met - transferred to revenue	(1 000 000)	-
	Unspent at end of the year - Refer to note 8	**160 432**	**1 160 432**

		2012 R	2011 R
20	**Other income**		
	Printing income	6 278	8 438
	Rates clearance certificate	2 050	1 950
	Commission received	488	327
	Library	82	74
	Tender documents	202 300	40 850
	Sundry income	101 647	36 456
	Discount received	676	
	Pound income	2 839	
	Sale of hay	33 333	
	Fair value profit and loss	12 221	
	Donations	500 000	
	Building plan inspection fees	400	
		862 316	**88 095**
21	**Employee costs**		
	Salaries and wages	11 322 057	9 157 741
	Contributions for Medical Aid, Pension and UIF	1 920 687	1 513 995
	Travel allowances and standby allowances	420 452	465 935
	Overtime	224 968	185 539
	Bonus (13th cheque)	598 201	475 476
	Provision for leave pay	981 721	663 036
	Housing benefits	5 874	6 408
	Provision for long service awards	159 207	62 440
		15 633 168	**12 530 570**
	Remuneration of the Municipal Manager		
	Annual Remuneration	645 332	700 022
	Acting allowance	134 143	
	Travel Allowance	116 122	117 480
	UIF contribution	998	1 497
	Total	**896 595**	**818 999**
	There was a Municipal Manager from July 2011 - September 2011, thereafter there was an Acting MM from October 2011 - January 2012. An MM was appointed from 01 February 2012 till 11 June 2012. An acting MM was appointed from 12 June 2012		
	Remuneration of the Chief Financial Officer		
	Annual Remuneration	308 885	208 806
	Travel Allowance	60 000	57 238
	UIF contribution	873	749
	Acting Allowance	165 036	115 659
	Total	**534 794**	**382 452**
	There was an acting CFO for the period June 2011 - December 2011. The CFO was appointed in December 2011		

Remuneration of the Infrastructure Planning Development Manager		
Annual Remuneration	650 938	499 585
Travel Allowance	44 056	44 057
UIF contribution	1 497	1 497
Total	**696 492**	**545 139**
Remuneration of the Corporate Services Manager		
Annual Remuneration	295 400	343 085
Travel Allowance	110 017	188 600
UIF contribution	873	1 497
Total	**406 290**	**533 182**

There was a Manager Corporate Services from July 2011 - January 2012. Thereafter, the post was vacant for the remainder of the financial year

Remuneration of the Community Manager	
Annual Remuneration	42 917
Travel Allowance	15 000
UIF contribution	125
Total	**58 041**

The Community Services Manager was appointed in June 2012

		2012 R	2011 R
22	**Remuneration of the Councillors**		
	Remuneration of the Mayor		
	Annual Remuneration	363 592	355 869
	Travel Allowance	143 237	135 654
	Pension contribution	57 995	53 380
	Cellphone allowance	18 840	34 555
	Medical aid	8 124	
	Total	**591 788**	**579 458**
	Remuneration of the Deputy Mayor		
	Annual Remuneration	292 853	260 969
	Travel Allowance	112 857	99 577
	Pension contribution	45 718	39 145
	Cellphone allowance	18 555	33 059
	Total	**469 983**	**432 750**
	Remuneration of the Speaker		
	Annual Remuneration	279 020	167 258
	Travel Allowance	114 590	63 648
	Pension contribution	40 421	25 089
	Cellphone allowance	18 840	22 119
	Medical aid	18 644	
	Total	**471 515**	**278 114**
	Total Remuneration of the Executive Committee Members		
	Annual Remuneration	551 231	403 687
	Travel Allowance	214 856	153 823
	Pension contribution	86 993	60 553
	Cellphone allowance	37 680	55 548
	Total	**890 760**	**673 611**
	Total Remuneration of Other Councillors		
	Annual Remuneration	1 872 012	1 613 600
	Travel Allowance	730 504	622 245
	Pension contribution	289 953	225 870
	Cellphone allowance	199 716	99 277
	Medical aid	26 991	10 544
	Total	**3 119 176**	**2 571 536**
	Total Remuneration of Councillors	**5 543 222**	**4 535 469**

The Mayor, Deputy Mayor, Speaker and two Exco member are full-time. Each of them are provided with an office and secretarial support at the cost of the municipality. Councillors were paid within the Upper Limits.

		2012 R	2011 R
23	**Depreciation and amortisation expense**		
	Property, plant and equipment	3 550 014	3 185 012
	Intangible assets	39 266	34 377
	Total Depreciation and Amortisation	**3 589 280**	**3 219 389**
24	**Finance costs**		
	Finance lease	250 025	249 389
	Interest paid	1 221	1 601
		251 247	**250 990**
25	**Amortisation cost**		
	Amortisation of trade debtors net of doubtful debtors provision		

		2012 R	2011 R
26	**Contracted services**		
	Security and other services	462 623	304 060
		462 623	**304 060**
27	**General expenses**		
	Advertising	273 543	140 441
	Accounting fees	7 150	143 356
	Audit fees External	1 237 446	1 169 287
	Bank charges	49 878	43 452
	Subscriptions	676 626	291 340
	Caterings	307 028	200 134
	Cleaning	65 464	28 698
	Computer expenses	150 045	138 521
	Consultants fees	950 432	409 004
	Consumables	18 417	6 514
	Accomodation, training and travelling	3 105 925	1 543 603
	Electricity	481 313	403 323
	Fuel and oil	734 676	506 437
	Hire of vehicles	110 916	181 509
	Garden expenses	29 164	16 806
	Insurance	398 334	350 599
	Legal expenses	73379.79	76 638
	Newspapers	23 360	14 651
	Postage and freight	5 892	11 222
	Printing and stationary	305 658	305 427
	Protective clothing	104 525	57 098
	Rent	51 576	27 060
	Refuse removal	5 247	8 269
	Sewerage disposal	13 184	4 163
	Telephone	585 063	549 557
	Other general expenses	499 485	316 802
	Disposal site expense	-	2 298 961
	Special programmes	802 791	642 025
	Anti corruption measures	53 159	-
	Bulwer housing project	-	4 517
	Electricity: Mahwaqa, Tarrs and Qulashe	509 074	-
	Community functions	347 483	341 121
	Education support	380 912	249 186
	Emasameni electrification	27 245	471 094
	Free basic electricity	413 491	700 040
	GIS implementation	7 175	25 948
	HIV/AIDS expenses	93 050	35 400
	ID document campaign	25 520	45 250
	IDP review	149 874	119 124
	Internal audit	99 033	127 417
	MPRA Service provide	121 238	109 761
	Municipal relief fund	118 467	168 188
	Perfomance management	89 250	-
	Bhengu Art Gallery & Museum	2 810 571	-
	Organisational structure	165 000	213 554
	Poverty alleviation	34 500	339 004
	Centocow CD	-	90 337
	Electrification phase 2	2 143 796	-
	Public participation	727 563	316 346
	Railway tourism	39 650	44 439
	Sports development	439 888	400 091
	Ward committees capacitation and training	219 650	33 850
	Ward committee expenses	633 565	192 441
	LED Strategy	426 953	-
	Township Establishment	(2 633)	28 509
	Study Cemetries & Landfilsite	-	91 057
	Xohleyakhe, Bulwer and Donnybrook Electrification	1 482 801	3 298 252
	Youth Development	378 294	389 985
	Community projects		
		23 001 083	**17 719 810**

		2012 R	2011 R
28	**Loss on disposal of property, plant and equipment**		
	Proceeds on disposal of property, plant and equipment	-	-
	Carrying value of property, plant and equipment disposed	-	(5 721)
		-	**(5 721)**
29	**Impairment Loss**		
	Property, plant and equipment		
	An impairment test was conducted on property, plant and equipment. Some assets were impaired. Accordingly, such impairment was recognised immediately to bring the previously reported carrying values to the fair value / recoverable amount.		
			(2 681 892)
	Impairment loss is made up as follows:		
	Infrastructure		
	Roads		48 868
	Taxi ranks		-
	Community assets		
	Community halls		2 049 491
	Libraries		-
	Public places		-
	Sportfields		445 332
	Other assets		
	Buildings		20 630
	Motor vehicles		117 571
		0	**2 681 892**
30	**Cash generated from operations**		
	Surplus for the year	26 565 167	19 511 325
	Adjustments for:		
	Depreciation and amortisation	3 589 280	3 219 387
	Fair value adjustment	-	0
	Loss on disposal of property, plant and equipment	-	5 721
	Finance costs	250 025	249 389
	Interest paid	1 221	1 601
	Impairment (gain)/loss or gain on disposal of PPE and investment property	897 764	2 681 892
	Interest earned	(3 928 773)	(2 719 997)
	Non-current provisions	2 463 061	2 361 401
	Operating surplus before working capital changes	**29 837 745**	**25 310 719**
	Increase in trade receivables from exchange transactions	(1 410 447)	(1 172 392)
	Decrease/(increase) in other receivables from non-exchange transactions	(148 011)	441 902
	(Increase)/decrease in VAT receivable	(111 876)	(177 182)
	Decrease in trade and other payables from exchange transactions	612 082	(539 368)
	Increase/(decrease) in unspent conditional grants and receipts	16 861 779	1 312 098
	(Decrease)/increase in current provisions	0	(232 656)
	Increase in current provision contract retention	70 985	384 619.02
	(Decrease) / increase in current portion of finance lease liability	(34 815)	(4 997)
	Cash generated from operations	**45 677 442**	**25 322 745**

		2012 R	2011 R
31	**Cash and cash equivalents**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Cash at bank	6 650 415	298 971
	Call deposits - Stanlib Investment	7 818 854	7 367 208
	- Money Market	212 392	1 456 582
	- Investec Bank	20 006 214	1 349 571
	- Investec Fixed Deposits	16 029 170	15 168 520
	- Fixed Notice	621 829	600 714
	- Investec Fixed 50003450424	15 217 781	
	- Investec 453	10 381 056	
	- Business Fixed Maturity 74	0	26 034 061
	Bank balances and cash	**76 937 710**	**52 275 627**

32 Corrections of errors and change in accounting policy

32.1 Land and loss on sale of investment property - correction of prior period error

During the current financial year the municipality identified an error. Land to the value of R54 000 that had been sold in the prior year had been incorrectly included in the asset register. This had resulted in Property, Plant and Equipment being overstated by R54 000 and accumulated surplus being understated by R54 000 in the prior year. It was also identified that the loss on sale of investment property of R69 000 was processed in the current year, but related to the prior year. This had resulted in in the opening accumulated surplus being overstated by R69 000 and the current years accumulated surplus being understated by R69 000.

32.2 Unspent conditional grant - correction of prior period error

During the current financial year the municipality identified an error. The unspent conditional grant for MIG to the value of R4 558 295 was not accounted for in the proir year. This had resulted in Unspent conditional grants being understated by R4 558 295 and accumulated surplus being overstated by R4 558 295 in the prior year. This has been adjusted by in the current year.

32.3 Prior year accruals incorrectly included in current year debtors - correction of prior period error

The previous year's accrual for sundry debtors to the amount of R91 240 was found to be incorrectly included in the current years sundry debtors a year end. Sundry debtors and accumulated surplus had been overstated by R91 240. This has been adjusted by in the current year. Sundry debtors and accumulated surplus has been decreased by R91 240.

32.4 PPE understated in the 2011/2012 financial year - Change in accounting estimate

During the current financial, the municipality reassessed the useful life of certain assets. PPE had been restated by R721 099. This has been adjusted by in the current year. PPE and accumulated surplus has increased by R721 099.

32.5 Investment property and Vat receivable overstated in the 2011/2012 financial year - Correction of error

Land to the value of R48 000 was incorrectly included in the asset register as it did not belong to the municipality. This resulted in Investment property being overstated by R48 000 and accumulated surplus being overstated by R48 000. This error has been corrected. Investment property and accumulated surplus has decreased by R48 000. It was also identified that VAT receivable is overstated by R123 856 with corresponding overstatement of expenditure by the same amount. This has been adjusted by in the current year. Vat debtors and accumulated surplus has been decreased by R123 856.

Reported balance as 30 June 2011	**98 414 111**
Land incorrectly recognised in the asset register in previous years	(54 000)
Correcting 2011 errors in accumulated depreciation - useful life review	668 941
Investment property incorrectly included in assest register	(48 000)
Loss on sale on investment property recorded in incorrect year	(69 000)
Prior year accruals incorrectly included in current year debtors	(91 240)
Unspent conditional grant not accounted for	(4 558 295)
Correction of 2011/12 overstatement of Vat debtor	(123 856)
Net effect on Accumulated Surplus Opening Balance	**(4 275 449)**
Restated balance as at 30 June 2011	**98 981 053**

	2012	2 011
	R	R

32.7 Accumulated surplus

During the prior financial year the municipality corrected an error. Trade payables was overstated by R 25 640 and other payables was overstated as a result of overstatement of UIF due to Councillors amounting to R 421 502. There were also roads which were taken over by the Department of Transport in the prior year but was still included as municipality's assets the loss on disposal calculated amounted to R4 951 588. The municipality also owns land where Bulwer Taxi Rank is constructed valued at R60 000, this was not included on the municipality's books in the previous years. The fair value of these properties were adjusted in 2010 financial year as follows: Bulwer Community Hall fair value was adjusted down by R2 446 139, House no. ERF 68 fair value was adjusted up by R 5 340.94 and House no. ERF 87 was also adjusted up by R33 077.94. Accounting for depreciation for the properties reclassified from investment property for the 2010 financial year totalling R 532 340.

Reported balance as 30 June 2010	**80 547 336**
Creditors overstated	(25 640)
UIF due to councillors was overstated last year	(421 502)
Loss on disposal of roads derecognised in previous years	4 951 588
Bulwer rank not recognised in the asset register in previous years	(60 000)
Reversal of the fair value adjustment on Bulwer Community Hall	(2 446 139)
Reversal of the fair value adjustment on municipal house no. ERF 68	5 341
Reversal of the fair value adjustment on municipal house no. ERF 87	33 078
Depreciation on properties reclassified from investment property in 2010 financial year	532 340
Reversal of accumulated depreciation on re-assessment of useful lives on assets fully depreciated	(1 073 831)
Provision for long service awards	149 316
Net effect on Accumulated Surplus Opening Balance	**(1 644 550)**
Restated balance as at 30 June 2010	**78 902 786**

32.6 Omission of Irregular expenditure

In January 2011, Mr M Mzimela was appointed as the Acting Chief Financial Officer and paid the salary difference between his salary and that of the position of Chief Financial Officer. The application applied in the calculation of the Acting CFO's acting allowance was erroneously calculated on the basis of the greater of the difference in salary notches or 8% of basic salary of post in which acting. This therefore amounted in an overpayment on his acting allowance of R70,607,35 (2010/2011 financial year) .

Irregular expenditure - Overpayment on Acting allowance (2010/2011 financial year)	**70 607**

		2012 R	2011 R
33	**Commitments**		
33.1	Commitments in respect of capital expenditure:		
	Approved and contracted		
	- Infrastructure	9 094 200	11 787 227
	- Community assets	23 819 798	4 957 517
	- Other assets	-	-
		32 913 998	16 744 744
	Approved but not yet contracted		
	- Infrastructure	21 091 254	14 400 000
	- Community assets	37 135 224	18 869 000
	- Other assets	5 120 000	8 335 269
		63 346 478	41 604 269
		96 260 476	**58 349 013**
	This expenditure will be financed from:		
	- Government grants	54 339 323	22 569 000
	- Own resources	41 921 153	35 780 013
		96 260 476	**58 349 013**
33.2	Commitments in respect of operating expenditure:	**-**	**-**
	Total commitments	**96 260 476**	**58 349 013**

		2012 R	2011 R
34	**Additional disclosure in terms of Municipal Finance Management Act**		
34.1	**Contributions to organised local government**		
	Subscription for the year	400 000	210 000
	Amount paid	(400 000)	(210 000)
	Unpaid at end of the year	**-**	**-**
34.2	**Audit fees**		
	Unpaid at beginning of the year	-	-
	Fee for current year	1 237 446	1 169 287
	Amount paid	(1 237 446)	(1 169 287)
	Unpaid at end of the year	**-**	**-**
34.3	**Employees tax**		
	Unpaid at beginning of the year	292	-
	Deductions for the current year	2 944 500	2 294 153
	Amount paid	(2 944 792)	(2 293 861)
	Unpaid at end of the year	**-**	**292**
34.4	**Value added tax**		
	Receivable at beginning of the year	640 248	463 066
	Inputs receivable for current year	4 411 129	3 827 610
	Outputs payable for current year	(63 194)	(58 342)
	Vat input on accruals	212 917	162 336
	Receipts from SARS	(4 448 975)	(3 754 422)
	Receivable at end of the year	**752 125**	**640 248**
34.5	**Pension and medical aid funds**		
	Unpaid at beginning of the year	-	92 231
	Contributions and deductions for current year	2 568 024	1 265 669
	Amount paid	(2 568 024)	(1 357 900)
	Unpaid at end of the year	**-**	**-**
34.6	**Fruitless and wasteful expenditure**		
	Fruitless and wasteful expenditure		
	Opening balance -	1 601	111 184
	Fruitless and wasteful expenditure current year	1 221	-
	Condoned or written off by Council	-	(111 184)
	Fruitless and wasteful expenditure awaiting condonement	(2 822)	1 601
		(0)	**1 601**

Incident	Disciplinary steps / Criminal proceedings
Current reporting period Fruitless and Wasteful Expenditure was interest incurred, due to late payment of Telkom and Eskom creditors, of R1 221. In the prior year, fruiteless and wasteful expenditure amounted to R1 601 due to late payment of a creditor	Not applicable.

		2012 R	2011 R
34.7	**Irregular expenditure**		
	Reconciliation of irregular expenditure		
	Opening balance -	105 507	
	Irregular expenditure - correction of error for prior year		70 607
	Irregular expenditure current year - Overpayment on Acting allowance	143 059	
	Irregular expenditure current year - paid to suppliers in the organ of state	85 034	34 900
	Irregular expenditure current year - paid to suppliers who did not declare their interest	3 079 686	
	Condoned by Council	(248 566)	
		3 164 720	**105 507**

34.8	**Supply Chain Management Deviations**		
	Opening balance		1 395 587
	Current year - SCM Deviations	1 249 554	507 245
	SCM Deviations - Written off by Council	(1 249 554)	(1 902 832)
		(0)	

34.9 Councillor's arrear consumer accounts

No councillors has an outstanding arrear account in the current year.	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
	R	**R**	**R**
As at 30 June 2012			
	0	**0**	**0**

The following Councillors had arrear accounts outstanding: -	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
	R	**R**	**R**
As at 30 June 2011			
	0	**0**	**0**

35 RELATED PARTIES

Members of key management.
Close family member of key management.
Post employment benefit plan for employees of municipality and / or other related parties.
No councillors were owing the municipality in the current year (refer to note 34).
Compensation to councillors and other key management (refer to notes 21 and 22).

	2012	2011
	R	R

36 EVENTS AFTER THE REPORTING DATE

No material fact or circumstance has occurred between the accounting date and the date of this report.

37 FINANCIAL INSTRUMENTS

37.1 Market risk

The municipality's activities expose the municipality primarily to the risks of fluctuations in interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk exposrue is measured using a sensitivity analysis. A sensitivity analysis shows how surplus, and / or net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

Interest rate risk management

The municipality's interest rate profile consists of bank balances which exposes the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets:

Bank deposits linked to South African prime rate.

Financial liabilities
Finance leases at fixed interest rates.

Management manages interest rate risk by negotiating (where possible) fixed rate finance leases.

Pension fund risk
In the latest available audited Financial Statement of the fund as at 31 March 2009, the fund showed a healthy financial state whereby the

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

The basis points increases or decreases, as detailed in the table below were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates and increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore

As the municipality does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in the rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

	2012 R	2011 R
37.1 Market risk analysis (cont.)		
Interest rate sensitivity analysis (cont.)		
Decrease in interest rates:		
The estimated increase in basis points	-	-
Net surplus effect	**-**	**-**

37.2 Credit risk management

Credit risk refers to the risk that consumer debtors will default on their obligation to settle their respective accounts with the municipality.

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and cash equivalents, short-term deposits loans and receivables, investments and trade and other receivables.

The municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The directors consider that the carrying amount of trade receivables approximates their fair.

Maximum exposure to credit risk

The municipality's exposure to credit risk with regards to receivables is effectively unlimited and this is a historical phenomenon.

The carrying amount of financial assets recorded in the which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

	2012 R	2011 R
Trade receivables	3 460 342	2 049 895
Other receivables	424 842	276 831
	3 885 184	**2 326 726**

INGWE MUNICIPALITY
APPENDIX B UNAUDITED SUPPLEMENTARY SCHEDULES
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
As at 30 June 2011

	Cost or Valuation						Accumulated depreciation						Carrying value
	Opening balance	Additions	Under Construction	Adjustments	Disposals	Closing balance	Opening balance	Current year depreciation	Adjustments	Disposals	Impairment / (Reversal of Impairment)	Closing balance	
	R	R		R	R	R	R	R		R		R	R
Land	1 630 000					1 630 000	0	0			0	0	1 630 000
Buildings	6 646 714	445 352				7 092 066	3 198 785	126 398	37 745		20 631	3 383 559	3 708 507
Infrastructure													
Roads	9 713 333		7 427 900	-		17 141 233	4 766 973	898 028	-		48 867	5 713 868	11 427 366
Streetlights	96 391	-	-	-	-	96 391	34 701	3 856	-	-	-	38 556	57 835
	9 809 724	-	7 427 900	-	-	17 237 624	4 801 673	901 884	0	0	48 867	5 752 424	11 485 201
Community assets													
Taxi ranks	2 027 546	-	6 521 770	-	-	8 549 316	807 865	76 730	-	-		884 595	7 664 721
Community halls	14 266 988	5 543 202	4 491 884			24 302 074	3 604 744	570 604	494 595		68 484	4 738 427	19 563 647
Libraries	2 695 333	-	-	-	-	2 695 333	539 345	84 965	-	-	-	624 310	2 071 023
Public places	162 729	27 081	35 081	-	-	224 891	86 849	9 843	-	-	-	96 693	128 198
Sports fields	1 327 495	1 140 656	4 268 963	-	-	6 737 115	57 913	79 355	-	-	445 332	582 599	6 154 515
Refuse site	3 235	-	-	-	-	3 235	3 235	-	-	-	-	3 235	0
	20 483 326	6 710 939	15 317 699	0	0	42 511 964	5 099 951	821 497	494 595	0	513 816	6 929 859	35 582 105
Other assets													
Security	627 747	56 456	78 064	-	-	762 267	406 297	66 874	(337 611)	-	-	135 559	626 708
Computer equipment	514 592	180 830	-	-	(46 704)	648 718	269 420	116 541	(19 046)	(41 567)	-	325 348	323 369
Furniture and fittings	1 105 386	18 468	-	-	(10 665)	1 113 189	655 302	91 719	(197 412)	(10 665)		538 944	574 776
Office equipment - owned	441 094	33 083	-	-	-	474 177	353 355	40 290	(78 654)	-	-	314 991	159 100
Plant and equipment	423 578	66 298	-	-	(10 764)	479 112	214 221	98 565		(10 180)	-	302 606	185 920
Motor vehicles	3 351 375	962 596	-	-	-	4 300 808	1 787 842	509 655	(282 111)	-	117 571	2 132 957	2 167 852
Locomotives and coaches	6 463 405	-	-	-	-	6 463 405	53 862	215 447	-	-	-	269 309	6 194 097
	12 927 178	1 317 730	78 064	0	(68 133)	14 241 677	3 740 298	1 139 090	(914 834)	(62 412)	117 571	4 019 713	10 231 821
Leased assets													
Office equipment - leased	306 860					306 860	105 917	61 372				167 289	139 571
	306 860	0	0	0	0	306 860	105 917	61 372	0	0	0	167 289	139 571
Total of all assets	**51 803 802**	**8 474 021**	**20 207 458**	**0**	**(68 133)**	**83 020 191**	**16 946 624**	**3 050 240**	**(382 494.00)**	**(62 412)**	**700 886**	**20 252 844**	**62 777 204**

INGWE MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

As at 30 June 2012

	Cost or Valuation						Accumulated depreciation						Carrying value
	Opening balance	Additions	Under Construction	Adjustments	Disposals	Closing balance	Opening balance	Current year depreciation	Adjustments	Disposals	Impairment / (Reversal of Impairment)	Closing balance	
	R	R		R	R	R	R	R	R	R		R	R
Land	1 630 000					1 630 000	-	-			-	-	1 630 000
Buildings	7 092 063	779 144	78 064			7 949 271	1 487 083	222 036	224 283	-	1 896 474	3 829 876	4 119 395
Total Land and buildings	**8 722 063**	**779 144**	**78 064**	**-**	**-**	**9 579 271**	**- 1 487 083**	**222 036**	**224 283**	**-**	**1 896 474**	**3 829 876**	**5 749 395**
Infrastructure						-							-
						-						-	-
Roads	9 713 331	3 580 520	12 889 880	-	166 236	26 017 495	3 782 202	657 582	-26 262	166 236	1 883 314	6 130 600	19 886 895
Streetlights	96 391	-	-	-	-	96 391	38 556	3 856	-	-	-	42 412	53 979
	9 809 722	**3 580 520**	**12 889 880**	**-**	**166 236**	**26 113 886**	**3 820 758**	**661 438**	**-26 262**	**166 236**	**1 883 314**	**6 173 011**	**19 940 875**
												-	
Community assets													
Taxi ranks	2 027 546	5 276 803	1 714 254	-	-	9 018 603	561 245	141 158	-49 646	-	323 353	976 109	8 042 495
Community halls	19 810 190	4 814 290	2 782 463			27 406 943	2 025 897	721 228	-712 198	-	2 712 530	4 747 457	22 659 487
Libraries	2 695 332	-	-	-	-	2 695 332	420 708	93 949	11 185	-	203 593	729 435	1 965 897
Public places	189 810	-	42 195	-	-	232 005	60 690	12 602	151	-	36 002	109 445	122 560
Sports fields	2 468 152	2 141 643	6 452 128	-	-	11 061 922	137 269	86 100	-137 269	-	445 332	531 432	10 530 491
Refuse site	3 235	-	-	-	-	3 235	3 234	-	-3 234	-	-	-	3 235
	27 194 265	**12 232 736**	**10 991 040**	**-**	**-**	**50 418 041**	**3 209 042**	**1 055 036**	**-891 011**	**-**	**3 720 810**	**7 093 877**	**43 324 164**
Other assets													
Security	684 203	-	-	-	-	684 203	135 559	86 953	235 320			457 832	226 371
Computer equipment	648 719	155 569			-	804 287	325 345	148 163	-45 172	-		428 336	375 951
Furniture and fittings	1 113 198	14 154			-	1 127 352	539 113	173 856	-24 804	-		688 165	439 187
Office equipment - owned	474 278	37 789			-	512 067	314 991	80 262	-26 761	-		368 493	143 574
Plant and equipment	479 112	14 194			-	493 306	302 606	108 364	-39 183	-		371 788	121 518
Motor vehicles	4 224 230	1 044 235	-	-	1 055 763	4 212 702	1 882 765	513 388	-16 572	897 020	117 571	1 600 132	2 612 571
Locomotives and coaches	6 553 145					6 553 145	379 285	281 599				660 884	5 892 261
	14 176 886	**1 265 940**	**-**	**-**	**1 055 763**	**14 387 063**	**- 3 879 664**	**1 392 585**	**82 829**	**897 020**	**117 571**	**4 575 629**	**9 811 434**
Leased assets													
Office equipment - leased	306 860	359 000			306 860	359 000	167 289	68 269	-	175 724		59 833	299 167
Total of all assets	**60 209 796**	**18 217 341**	**23 958 983**	**-**	**1 528 859**	**100 857 262**	**- 12 563 837**	**3 399 364**	**-610 162**	**1 238 980**	**7 618 169**	**21 732 227**	**79 125 034**

INGWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
APPENDIX C: DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS
UNAUDITED SUPPLEMENTARY SCHEDULE
For the year ended 30 June 2012

Grant name	Organ of state	Unspent at beginning of year	Received during year	Expended during year	Unspent at end of year
		R	R	R	R
State Housing - Bulwer project	Province of KZN	722 516			722 516
State Housing - Donnybrook project	Province of KZN	324 550			324 550
State Housing - Ngcobo's Farm project	Province of KZN	727 255			727 255
State Housing - Tar's Valley project	Province of KZN	503 003			503 003
CMIP - Bulwer housing project infrastructure	Province of KZN	0		0	0
CMIP - Donnybrook water system	Province of KZN	0		0	0
CMIP - Ngcobo's Farm housing infrastructure	Province of KZN	0		0	0
CMIP - Nkwezela landfill site	Province of KZN	2 341		2 341	0
CMIP - Tar's Valley housing infrastructure	Province of KZN	88 136		88 136	0
Amakhuze biodiversity	National government	103 526		103 526	0
Anti - corruption measures	Province of KZN	27 906		27 906	0
Basic bookkeeping	Province of KZN	109 575		88 329	21 246
Gerald Bhengu:John ST	Other		0	0	0
Bulwer library: furniture and equipment	Province of KZN	0		0	0
Communication strategy	Province of KZN	35 902			35 902
DBSA grant - rates service providers	Province of KZN/DBSA	160 432			160 432
Development administration capacity building	Province of KZN	0			0
DM Grant: Stimela		0			0
Electrification of eMasameni	National government	1 643 642		0	(6 016)
Financial management	National government	0	1 450 000	1 438 307	11 693
Geographic information system	Province of KZN	120 750		8 180	112 570
Gerard Bhengu art gallery(Lottery)	Province of KZN	1 635 000	1 090 000	1 810 571	914 429
Gerald Bhengu sisonke	Sisonke	1 000 000		1 000 000	(0)
Human resource systems	Province of KZN	78 380		78 380	0
Development of Coridoor	National government	0	10 000 000	0	10 000 000
Sports and Recreation(Nkwezela)	Province of KZN	0	150 000	14 587	135 413
Electrification of Tarsvalley	Province of KZN	0	6 000 000	580 344	5 419 656
Inter-departmental monitoring	Province of KZN	0			0
Internal control and audit	Province of KZN	0		0	0
Land use management system	Province of KZN	0			0
Library computer project	Province of KZN	6 707	96 000	102 707	(0)
Local government expert	Province of KZN	35 147			35 147
Management assistance programme	Province of KZN	0		0	0
Municipal infrastructure	National government	7 430 740	12 010 705	10 101 813	9 339 638
Municipal infrastructure investment planning	Province of KZN	25 136			25 136
Municipal systems improvement	National government	0	790 000	764 981	25 019
PIMS skills development	Province of KZN	0			0
Property rating	Province of KZN	208 833	0	138 210	70 623
Public participation	Province of KZN	0			0
Sisonke Stimela train project	Gijima LED Fund	0			0
Sports stadium	Province of KZN	0			0
Township establishment	Province of KZN	27 321			27 321
Vuna award prize money	National government	0			0
Web site development	Province of KZN	0			0
Local Economic Development	Province of KZN	200 173		200 173	0
Librarians Subsidy	Province of KZN	17 269	530 873	481 628	66 514
DBSA grant - rates service providers	National government		0	0	0
Xosheyakhe Electrification	National government	1 771 808	3 000 000	4 134 320	637 488
		17 006 046	35 117 578	21 164 441	29 309 529

37.3 Age analysis of financial assets that are past due but not impaired

	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 120 past due and other	Total
2012					
Trade receivables	36 329	81 980	25 014	5 252 341	5 395 664
2011					
Trade receivables	39 129	36 623	29 606	3 633 495	3 738 853

37.4 Impaired financial assets

The only financial assets that are impaired are trade receivables. Refer to the trade receivables note for analysis of the impaired receivables.

37.5 Liquidity risk management

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. In terms of its working capital management, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The following table provides detail of the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay.

The figures below include both estimated interest and principal cash flows of the instruments.

37.6 Liquidity risk management

	0 - 1 year	2 years	3 years	4 years and later	Total
2012					
Trade payables	2 940 606				2 940 606
Other payables (current)	844 093				844 093
Unspent conditional grants and receipts	29 309 529				29 309 529
Current portion	469 399				469 399
Other non-current liabilities		4 891 869			4 891 869
Finance lease liability		314 640			314 640
	33 563 627	5 206 509	-	-	38 770 136
2011					
Trade payables	2 618 990		-	-	2 618 990
Other payables (current)	553 626		-	-	553 626
Unspent conditional grants and receipts	12 447 750		-	-	12 447 750
Current provisions	433 229		-	-	433 229
Other non-current liabilities		4 261 301	-	-	4 261 301
Finance lease liability		140 848			140 848
	16 053 596	4 402 149	-	-	20 455 744

38 RETIREMENT BENEFIT INFORMATION

Ingwe Municipality provides for retirement benefits to councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

Superannuation Fund is a multi-employer plans and is subject to either a tri-annual, bi-annual or annual actuarial valuation, the details of which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating municipality's.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating municipality.

(iii) The same rate of contribution applies to all participating municipalities and no regard is paid to differences in the membership distribution of the participating municipalities.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating municipality.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 159 207 (2011: R 62 440) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed. See note 21.

The Superannuation Pension Fund has been valued by making use of the projected credit method of valuation.

There is only one employee on the Superannuation Pension Fund which is a Defined Benefit Plan.

All other permanent employees are on the Provident Fund which is Defined Contribution plan.

39 Contingent liabilities

R 366 997

The Municipality is aware of a pending legal claim that could result in a cash outflow. This is the case between the Municipality and Ayanda Thuthukani Zulu a former employee of the municipality. The municipality's legal representatives are of the opinion that the Council could potentially be liable for an amount of R366 997 as a result of the pending legal action.

40 Reconciliation of budget surplus/deficit with the surplus in the statement of financial performance

Net surplus/deficit per the statement of financial perfomance	**26 565 167**
Adjusted for :	
Gain on disposal of PPE	897 764
Impairments recognised	-
Deficit on the sale of assets	-
Depreciation	(489 280)
Amortisation costs	-
Increase in government grants and subsidies	23 268 255
Over-collection in property rates	(1 122 499)
Over-collection in service charges	(205 608)
Under-collection of fines	65 265
Increase in investment revenue received	(828 773)
Under-collection of other revenue items	13 750 507
Under-spending in employee costs	1 050 629
Over-spending in remuneration of councillors	21 807
Decrease in bad debts	153 635
Over-spending in other expenditure items	(1 913 926)
Net surplus / deficit per approved budget	**61 212 945**

INGWE MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

41 Disclosure of Grants and subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

Name of grant	Organ of state	Unspent at beginning of year	Received during year	Interest credited	Expended during year	Unspent at end of year	Grants and subsidies delayed/ withheld	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act?	Reason for non-compliance	Reason for unspent grant at year end
		R	R		R	R					
State Housing - Bulwer project	Province of KZN	722 516				722 516	No	N/A	Yes	N/A	The balance on these funds will be utilised on phase 2 of the project. This grant is very old.
State Housing - Donnybrook project	Province of KZN	324 550				324 550	No	N/A	Yes	N/A	The balance on these funds will be utilised on phase 2 of the project. This grant is very old.
State Housing - Ngcobo's Farm project	Province of KZN	727 255				727 255	No	N/A	Yes	N/A	The balance on these funds will be utilised on phase 2 of the project. This grant is very old.
State Housing - Tar's Valley project	Province of KZN	503 003				503 003	No	N/A	Yes	N/A	The balance on these funds will be utilised on phase 2 of the project. This grant is very old.
CMIP - Bulwer housing project infrastructure	Province of KZN	0			-	-	No	N/A	Yes	N/A	
CMIP - Donnybrook water system	Province of KZN	0			-	-	No	N/A	Yes	N/A	
CMIP - Ngcobo's Farm housing infrastructure	Province of KZN	0			-	-	No	N/A	Yes	N/A	
CMIP - Nkwezela landfill site	Province of KZN	0			-	-	No	N/A	Yes	N/A	
CMIP - Tar's Valley housing infrastructure	Province of KZN	88 136			88 136	-	No	N/A	Yes	N/A	
Amakhuze biodiversity	National government	103 526			103 526	-	No	N/A	Yes	N/A	
Anti - corruption measures	Province of KZN	27 906			27 906	-	No	N/A	Yes	N/A	
Basic bookkeeping	Province of KZN	109 575			88 329	21 246	No	N/A	Yes	N/A	The application has been made to COGTA to utilise this grant. A new business plan has been submitted to COGTA for approval. COGTA previously had a control over this grant.
Gerald Bhengu:John ST	Other	-	500 000		165 311	334 689	No	N/A	Yes	N/A	The project is schedule to be completed in August 2012 as the project was to be completed in nine months
Bulwer library: furniture and equipmen	Province of KZN	-				-	No	N/A	Yes	N/A	
Communication strategy	Province of KZN	35 902				35 902	No	N/A	Yes	N/A	The strategy was developed. The balance will be utilised to upgrade that strategy
DBSA grant - rates service providers	Province of KZN/DBSA	160 432				160 432	No	N/A	Yes	N/A	This is a very old grant, however being currently used for MPRA
Development administration capacity building	Province of KZN	0				-	No	N/A	Yes	N/A	
DM Grant: Stimela		-				-	No	N/A	Yes	N/A	
Electrification of eMasameni	National government	1 643 642		-	-	-	No	N/A	Yes	N/A	
Financial management	National government	0	1 450 000	-	1 442 574	7 426	No	N/A	Yes	N/A	
Geographic information system	Province of KZN	120 750		-	8 180	112 570	No	N/A	Yes	N/A	The municipality has engaged with KwaSani Municipality on a shared service with a GI Specialist. This grant will be used on this project. The municipality is in the process of getting a consultant to manage the project
Gerard Bhengu art gallery	Province of KZN	1 635 000	1 090 000	-	2 057 070	667 930	No	N/A	Yes	N/A	The project is schedule to be completed in August 2012 as the project was to be completed in nine months
Gerard Bhengu art gallery	Sisonke	1 000 000		-	1 000 000	-					
Human resource systems	Province of KZN	78 380		-	78 380	-	No	N/A	Yes	N/A	
Development of Coridoor	National government	0	10 000 000	-	-	10 000 000	No	N/A	Yes	N/A	This projected has hualted as a result of the municipality being unable to acquire land from Transnet for the project.
Sports and Recreation(Nkwezela)	Province of KZN	0	150 000	-	14 587	135 413	No	N/A	Yes	N/A	The funding is for a caretaker who was only appointed in May 201;
Electrification of Tarsvalley	Province of KZN	0	6 000 000	-	1 519 533	4 480 467	No	N/A	Yes	N/A	There was a delay in the appointment of the consultant. This project is expected to be completed in the next three months.
Inter-departmental monitoring	Province of KZN	0				-	No	N/A	Yes	N/A	
Internal control and audi	Province of KZN	-			-	-	No	N/A	Yes	N/A	
Land use management system	Province of KZN	0				-	No	N/A	Yes	N/A	
Library computer project	Province of KZN	6 707	96 000	-	102 707	-	No	N/A	Yes	N/A	
Local government expert	Province of KZN	35 147				35 147	No	N/A	Yes	N/A	All conditions have been fully met. funds left over after all payments have been made.
Management assistance programme	Province of KZN	0			-	0	No	N/A	Yes	N/A	
Municipal Infrastructure	National government	2 872 445	16 569 000	-	10 539 480	8 901 965	No	N/A	Yes	N/A	There was a delay in the appointment of the consultant, however all consultants have been appointed, and some of the contractors have been appointed.
Municipal infrastructure investment planning	Province of KZN	25 136				25 136	No	N/A	Yes	N/A	
Municipal systems improvement	National government	0	790 000	-	764 981	25 019	No	N/A	Yes	N/A	
PIMS skills development	Province of KZN	0				-	No	N/A	Yes	N/A	
Property rating	Province of KZN	208 833	-	-	127 628	81 205	No	N/A	Yes	N/A	Very old grant with no records, currently being used for MPRA.
Public participation	Province of KZN	-				-	No	N/A	Yes	N/A	
Sisonke Stimela train project	Gijima LED Fund	-				-	No	N/A	Yes	N/A	
Sports stadium	Province of KZN	-				-	No	N/A	Yes	N/A	
Township establishment	Province of KZN	27 321		-	-	27 321	No	N/A	Yes	N/A	This is a very old grant, and a Town Planner will be appointed, and this grant will be utilised towards those expenses.
Local Economic Development	Province of KZN	200 173		-	200 173	-	No	N/A	Yes	N/A	
Librarians Subsidy	Province of KZN	17 269	362 873	-	380 142	0					
DBSA grant - rates service providers	National government	0	-		-	-					

Xosheyakhe Electrification	National government	1 771 808	3 000 000	-	2 297 202	2 474 606					The projects that are funded by these grants are 90% complete. Most of the funds are held back as a retention.
Web site development	Province of KZN	0				-	No	N/A	Yes	N/A	
TOTALS		**12 445 411**	**40 007 871**	**0**	**21 005 843**	**29 803 800**					

42 Actual vs Budget Revenue and Expenditure

	2012 Actual R	2012 Budget R	Variance R	Percentage %	Explanation of variances greater than 5% (brackets denote a negative variance)
Revenue					
Property rates	3 522 499	2 400 000	(1 122 499)	-47%	The budget was set to be more realistic, after considering the previous year collections
Service charges	305 608	100 000	(205 608)	-206%	The budget was set to be more realistic, after considering the previous year collections
Rates Penalties	135 141		(135 141)	100%	The budget was set to be more realistic, after considering the previous year collections
Fines	34 735	100 000	65 265	65%	
Rent of facilities and equipment	208 418	35 000	(173 418)	100%	The colllection was more than expected, especially on the leased assets
Interest - investments	3 928 773	3 100 000	(828 773)	-27%	Grant and own funds usage less than anticipated resulting in more invested funds yielding more interest.
Gain on disposal of property, plant and equipment	897 764		(897 764)	100%	Gain on disposal was not budgeted for as it was not forseen.
Government grants and subsidies	66 032 426	89 300 681	23 268 255	26%	Realising grant income was less than expected as a result of underspeending on conditional grant and a withhold of equitable share from roll overs not apllied for in prior years.
Other income	862 316	14 921 382	14 059 066	94%	Cash backed accummulated Surplus and Vat received included in the budget
	75 927 680	109 957 063	34 029 383		
Expenditure					
Employee-related costs	15 633 168	16 683 797	1 050 629	6%	2 Positions budgeted for were not filled. Some savings were realised on pension amd medical aid company contributions
Remuneration of councillors	5 543 222	5 565 029	21 807	0%	
Doubtful debts provision	246 365	400 000	153 635	38%	Improved collection rate from the prior year.
Depreciation and amortisation	3 589 280	3 100 000	(489 280)	-16%	Some of the roads have been transferred to Department of Transport that is why the actual depreciation amount charged has now gone down
Repairs and maintenance	635 526	3 350 000	2 714 474	81%	The halls to be repaired were prioritised late in the year
Finance costs	251 247	-	(251 247)	-100%	The budget for finance costs is residing under the general expenses budget.
Contracted services	462 623	2 547 295	2 084 672	82%	
General expenses	23 001 083	17 243 356	(5 757 727)	-33%	The electrification project costs which was budgeted under capital budget has increased the general expenses
	49 362 513	48 889 477	(473 036)		
Loss on disposal of assets	-	-	0	#DIV/0!	By its very nature it is impractical to budget for this type of item.
Impairment loss	-	-	0		
Surplus for the year	**26 565 167**	**61 067 586**	**33 556 347**		

Property rates & Service charges
This includes revenue collected on outstanding debt and

INGWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
UNAUDITED SUPPLEMENTARY SCHEDULE
APPENDIX B(2): ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
For the year ended 30 June 2012

-2141488.075

	2012 Actual R	2012 Budget R	Variance R	Percentage %	Explanation of variances greater than 5% (brackets denote underspending)
Infrastructure					
Roads	3 580 520	10 769 000	7 188 480	67%	The construction of internal roads is behind the schedule, due to the contractor facing numerous challenges on site.
Taxi ranks	5 276 803	5 276 803	(0)	0%	
Electrification	4 714 665	14 100 000	9 385 335	67%	Delays has been caused by road construction on the site and also a delay by Eskom to issue the Outage Notice
	13 571 988	30 145 803	16 573 815		
Community assets					
Community halls	4 814 290	9 500 000	4 685 710	49%	The funds to construct Community Halls were approved during the year. The SCM process has delayed the starting time of the project
Public places	-	-	-	0%	
Sports fields	2 141 643	7 200 000	5 058 357	70%	Donnybrook, Msayina and Songozini sports fields were introduced to replace two projects that had difficulties in securing sites. The finalisation of adoption was done in February 2012. The projects had to advertised calling for consultants to design and manage the project.
Gerald Bhengu - Art Gallery	2 810 571	4 425 000	1 614 429	36%	The project is schedule to be completed in August 2012 as the project was to be completed in nine months
	9 766 505	21 125 000	11 358 495		
Other assets					
Land and Buildings	779 144	1 800 000	1 020 856	131%	Delays in the procurement process
Security	0	0	0	100%	
Computer equipment	155 569	155 569	0	0%	
Furniture and fittings	14 154	15 000	846	6%	
Office equipment	37 789	35 000	(2 789)	-8%	
Plant and equipment	14 194	94 431	80 237	85%	
Motor vehicles	1 044 235	1 055 219	10 984	1%	
Lease equipment	359 000	359 000	0		
	2 404 084	3 514 219	1 110 134		
Total of all assets	25 742 577	54 785 022	29 042 445		